

## Markets Rebound as President Trump Speaks in Davos and The Supreme Court Meets on Governor Cook

President Trump arrived at the World Economic Forum in Davos today facing resistance from European leaders as he continued pushing his effort to acquire Greenland, a Danish territory. Both US equities and bonds had sold off late last week and again on Tuesday on concerns that the dispute could trigger further tariff escalation. Trump emphasized Greenland's strategic Arctic importance, particularly amid growing competition with Russia and China, and had previously refused to rule out using military force on the island, citing the existing U.S. military base there. However, in his speech today in Davos, he backed away from that stance and said he would not use force, even as he continued arguing that only the United States can defend the island. His remarks, referring to Greenland as "our territory" and criticizing Denmark as "ungrateful," drew sharp reactions from European officials worried about NATO stability. Tensions were already elevated after an exclusive dinner the prior evening, hosted by BlackRock, where Commerce Secretary Lutnick delivered a sharply combative speech criticizing Europe's competitiveness and broader economic model. His remarks drew widespread jeering and prompted multiple walkouts, including European Central Bank President Christine Lagarde, ultimately forcing the event to be cut short before dessert.

The Supreme Court heard arguments in *Trump v. Cook*, a case concerning President Trump's attempt to remove Federal Reserve Governor Lisa Cook, who has contested her ousting since late August. Several conservative justices, including Barrett, Gorsuch, and Kavanaugh, showed skepticism toward the administration's position, especially around the lack of notice, due process, and the potential market risks of removing a sitting Fed governor. Cook's legal team argued that Fed governors can only be removed "for cause" and that Cook was entitled to notice and a hearing before being forced out. They emphasized that the allegations against her, mortgage related issues that occurred before her appointment, do not meet the legal definition of "cause" and do not relate to her job performance. Justices across the political spectrum questioned the administration's reading of "cause" and raised concerns that allowing such removals would undermine the Federal Reserve's independence, which is essential for stable monetary policy.

The Solicitor General arguing for the administration maintained that Cook received notice through Trump's public posts and that courts should have little to no authority to reinstate fired officials. He also suggested the president has broad discretion in removals. Justices pushed back, noting that if courts cannot review removal decisions or restore officials, "for cause" protections would be meaningless. Throughout the hearing, justices repeatedly highlighted the broader implications for the Fed and financial markets. Kavanaugh warned that allowing presidents wide latitude to remove governors could "shatter" Fed independence, enabling future administrations to purge policymakers for political reasons. Barrett questioned why the administration could not simply hold a hearing if it had nothing to fear from presenting the evidence. The hearing also touched on recent tensions between Trump and the Fed, including an ongoing DOJ criminal

*Matt Harris, CFA*

*HilltopSecurities Asset Management  
Senior Portfolio Advisor  
Senior Vice President  
512.340.1845  
matt.harris@hilltopsecurities.com*

*Scott McIntyre, CFA*

*HilltopSecurities Asset Management  
Co-Head of Investment Management  
Managing Director  
512.481.2009  
scott.mcintyre@hilltopsecurities.com*

*Greg Warner, CTP*

*HilltopSecurities Asset Management  
Co-Head of Investment Management  
Managing Director  
512.481.2012  
greg.warner@hilltopsecurities.com*

*Several conservative justices, including Barrett, Gorsuch, and Kavanaugh, showed skepticism toward the administration's position, especially around the lack of notice, due process, and the potential market risks of removing a sitting Fed governor.*

probe involving Chair Jerome Powell and the president's public pressure campaign for aggressive rate cuts. Many analysts have noted that a ruling enabling Trump to remove Cook could embolden attempts to reshape the Fed more broadly. Arguments concluded without a clear sign of how the Court will rule, but the tone of questioning suggested significant hesitation to grant the administration unchecked removal power over independent monetary policymakers.

*Many analysts have noted that a ruling enabling Trump to remove Cook could embolden attempts to reshape the Fed more broadly.*

Looking ahead, a final ruling in Trump v. Cook is expected this summer, with the Court potentially waiting until late June to decide. Meanwhile, markets will turn their attention to incoming data this week, with GDP and PCE updates set for release tomorrow and the University of Michigan's consumer sentiment reading on Friday. The final estimate of Q3 GDP is anticipated to hold at a 4.3% annualized pace, while Core PCE is expected to remain steady at 2.9%.

## Market Indications as of 1:12 P.M. Central Time

DOW	Up 266 to 48,754 (HIGH: 49,590)
NASDAQ	Up 48 to 23,002 (HIGH: 23,958)
S&P 500	Up 33 to 6,829 (HIGH: 6,977)
1-Yr T-bill	current yield 3.52%; opening yield 3.50%
2-Yr T-note	current yield 3.59%; opening yield 3.58%
3-Yr T-note	current yield 3.66%; opening yield 3.66%
5-Yr T-note	current yield 3.83%; opening yield 3.85%
10-Yr T-note	current yield 4.27%; opening yield 4.28%
30-Yr T-bond	current yield 4.89%; opening yield 4.92%

*The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of Hilltop Securities Inc. and its affiliates. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.*

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.